

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

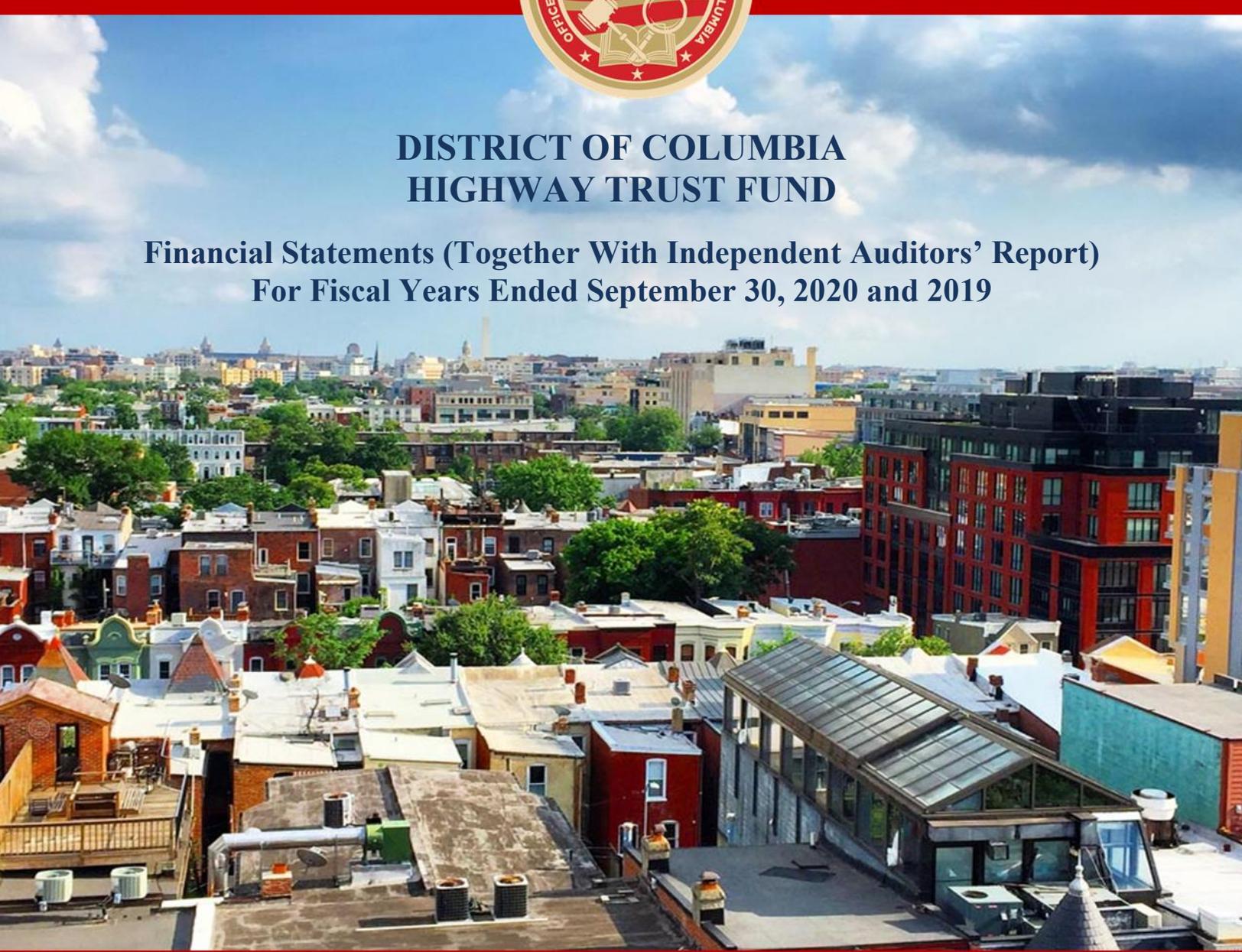
OIG Project No. 21-1-15KA

January 2021



DISTRICT OF COLUMBIA HIGHWAY TRUST FUND

Financial Statements (Together With Independent Auditors' Report)
For Fiscal Years Ended September 30, 2020 and 2019



Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation
* Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration
* Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General

Inspector General



January 29, 2021

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
1350 Pennsylvania Avenue, N.W., Suite 316
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *District of Columbia Highway Trust Fund Financial Statements (Together With Independent Auditors' Report) for the Fiscal Years Ended September 30, 2020 and 2019* (OIG No. 21-1-15KA). McConnell Jones, LLP (MJ) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2020.

On January 7, 2021, MJ issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. MJ identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

DISTRIBUTION:

Mr. Kevin Donahue, City Administrator for the District of Columbia, Office of the City Administrator (via email)

Mr. Barry Kreiswirth, General Counsel, Office of the City Administrator, District of Columbia (via email)

Mr. Jay Melder, Assistant City Administrator, Office of the City Administrator District of Columbia (via email)

Mr. Eugene Adams, Director, Mayor's Office of Legal Counsel (via email)

Mr. John Falcicchio, Deputy Mayor for Planning and Economic Development and Chief of Staff, Executive Office of the Mayor (via email)

Ms. Lucinda Babers, Deputy Mayor for Operations and Infrastructure, Office of the Deputy Mayor for Operations and Infrastructure (via email)

The Honorable Mary M. Cheh, Chairperson, Committee on Transportation and the Environment, Council of the District of Columbia (via email)

The Honorable Robert C. White, Jr., Chairperson, Committee on Government Operations and Facilities (via email)

Ms. LaToya Foster, Director of Communications, Office of Communications, Executive Office of the Mayor (via email)

Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the City Administrator (via email)

Mr. Everett Lott, Interim Director, District Department of Transportation (via email)

Ms. Nyasha Smith, Secretary to the Council (via email)

The Honorable Karl Racine, Attorney General for the District of Columbia (via email)

Mr. Jeffrey DeWitt, Chief Financial Officer, Office of the Chief Financial Officer (via email)

Mr. George Dines, Associate Chief Financial Officer, DDOT Government Services Cluster (via email)

Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)

The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Cathy Patten (via email)

Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)

The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (via email)

The Honorable Carolyn Maloney, Chairman, House Committee on Oversight and Reform, Attention: Jessica Killin (via email)

The Honorable James Comer, Ranking Member, House Committee on Oversight and Reform, Attention: Sara Ratliff (via email)

The Honorable Rosa DeLauro, Chairwoman, House Committee on Appropriations, Attention: Elizabeth Albertine (via email)

The Honorable Kay Granger, Ranking Member, House Committee on Appropriations, Attention: Doug Disrud (via email)

The Honorable Maxine Waters, Chairwoman, House Committee on Financial Services, Attention: Faith Morgan (via email)

The Honorable Patrick McHenry, Ranking Member, House Committee on Financial Services,
Attention: Jon Skladany (via email)

The Honorable Mike Quigley, Chairman, House Subcommittee on Financial Services and
General Government, Attention: Elliot Doomes (via email)

The Honorable Steve Womack, Ranking Member, House Subcommittee on Financial Services
and General Government, Attention: Jessica Powell (via email)

The Honorable Richard Shelby, Chairman, Senate Committee on Appropriations, Attention: Ella
Sullins (via email)

The Honorable Patrick J. Leahy, Ranking Member, Senate Committee on Appropriations,
Attention: Erica Chabot (via email)

The Honorable Chuck Grassley, Chairman, Senate Committee on Finance, Attention: DeLisa
Ragsdale (via email)

The Honorable Ron Wyden, Ranking Member, Senate Committee on Finance, Attention: Isaiah
Akin (via email)

The Honorable James Lankford, Chairman, Senate Subcommittee on Regulatory Affairs and
Federal Management, Attention: Sarah Seitz (via email)

The Honorable Kyrsten Sinema, Ranking Member, Senate Subcommittee on Regulatory Affairs
and Federal Management, Attention: Eric Bursch (via email)

The Honorable Ron Johnson, Chairman, Senate Committee on Homeland Security and
Governmental Affairs, Attention: Roland Hernandez, Jr. (via email)

The Honorable Gary C. Peters, Ranking Member, Senate Committee on Homeland Security and
Governmental Affairs, Attention: David Weinberg (via email)

Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP (via email)

**DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND**

**Financial Statements Together
with Independent Auditors' Report**

**For the Years Ended
September 30, 2020 and 2019**

**DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND**

September 30, 2020 and 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Notes to the Financial Statements	5-8
REPORT OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>- INDEPENDENT AUDITOR'S REPORT	9-10



INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia and
Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of the District of Columbia Highway Trust Fund (the Fund), a special revenue fund of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2020, or the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

Other Matters***Prior Period Financial Statements***

The financial statements of the Fund as of and for the year ended September 30, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those statements in their report dated January 7, 2020.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Washington, D.C.
January 7, 2021

**DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND**

**Balance Sheets
As of September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash		
Highway trust fund account	\$ 35,291,527	\$ 43,813,270
Primary government accounts	1,401,852	4,027,630
Total Cash	<u>36,693,379</u>	<u>47,840,900</u>
Receivables and Other Assets		
Taxes receivable, net	1,536,461	1,751,779
Due from DC Water, net	70,783	1,343,950
Other assets	184,775	228,705
Total Assets	<u><u>38,485,398</u></u>	<u><u>51,165,334</u></u>
LIABILITIES & FUND BALANCE		
Liabilities		
Accounts payable, accrued expenses and other liabilities	5,117,549	6,959,569
Retainage	656,316	654,759
Total Current Liabilities	<u>5,773,865</u>	<u>7,614,328</u>
Fund Balance:		
Restricted	<u>32,711,533</u>	<u>43,551,006</u>
Total Liabilities & Fund Balance	<u><u>\$ 38,485,398</u></u>	<u><u>\$ 51,165,334</u></u>

The accompanying notes are an integral part of these financial statements

**DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND**

**Statements of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended September 30, 2020 and 2019**

Revenues	2020	2019
Motor Fuel Tax	\$ 22,471,680	\$ 27,935,270
Rights of Way Fees	-	2,760,447
Interest	8,679	15,199
Utility Financed Revenue	55,819	-
Other Income	1,076,079	-
Total Revenue	23,612,257	30,710,916
 Expenditures		
Capital Appropriated Expenditures		
Design, Site, Construction, and Equipment Costs	28,992,063	34,713,636
Project Management Costs	5,459,667	3,960,699
Non-Participating Costs	-	5,128,728
Total Net Expenditures	34,451,730	43,803,063
 Deficiency of Revenues under Expenditure:	 (10,839,473)	 (13,092,147)
 Beginning Fund Balance	 43,551,006	 56,643,153
Ending Fund Balance	\$ 32,711,533	\$ 43,551,006

The accompanying notes are an integral part of these financial statements

DISTRICT OF COLUMBIA HIGHWAY TRUST FUND

Notes to the Financial Statements September 30, 2020 and 2019

1. DESCRIPTION OF THE HIGHWAY TRUST FUND

The Government of the District of Columbia (the District) established the District of Columbia Highway Trust Fund (the Fund) under the District of Columbia Emergency Highway Relief Act (the Act). The Fund was established as a dedicated highway fund to be comprised, at a minimum, of amounts equivalent to receipts from motor fuel taxes and, if necessary, motor vehicle taxes and fees collected by the District to pay the cost-sharing requirements established under Title 23 of the United States Code. The Fund is required to be separate from the general fund of the District.

The Fund is managed within the District's Office of the Chief Financial Officer. The Fund is a capital project fund of the District, restricted for the purpose of executing Federal highway projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as prescribed by the Government Accounting Standards Board (GASB).

The financial statements of the Fund report the financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate entity with a self-balancing set of accounts.

The financial statements of the Fund are intended to present only the financial position and changes in financial position of the Fund and do not purport to, and do not present the financial position or changes in financial position of the District. Additionally, the Fund's accompanying financial statements are not indicative of the Fund as if it were a stand-alone entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Fund's financial statements are prepared using the economic resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are motor fuel excise taxes and interest. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Fund adopted the financial reporting model, as required by GAAP as set by GASB. GAAP does not require stand-alone financial statements of a governmental fund, which are part of the general government, but are not a component unit or separate legal entity of the general government to present required supplementary information (RSI), including management's discussions and analysis. While GAAP does not preclude the presentation of RSI from the separate financial statements of a governmental fund, GAAP does not require RSI to be presented. The Fund has elected to not present a management's discussion and analysis.

DISTRICT OF COLUMBIA HIGHWAY TRUST FUND

Notes to the Financial Statements September 30, 2020 and 2019

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, as of the date of the financial statements. Actual results could differ from these estimates.

Cash

The Fund's cash is deposited in a trust fund account with an eligible financial institution. The bank account is an interest-bearing, demand deposit account. Interest is earned on the account balance with interest compounded daily and paid monthly.

The Fund does not have a separate investment account.

Receivables and Payables

Taxes receivable include motor fuel excise tax levied by the District (including interest and penalties on delinquent taxes that have not been collected, canceled, or abated), less the portion of the receivables estimated not to be collectible. The amount of motor fuel taxes receivable, which were earned but were not available for the purpose of recognition in the Fund is recorded as deferred inflows. Due from DC Water are amounts owed to the Fund by DC Water for construction paid on its behalf that has not been reimbursed. These receivables are recorded at net realizable value.

Accounts payable are the Fund's share of amounts owed to vendors for goods or services purchased and received. Retainage payable represent the Fund's share of amounts owed to contractors upon completion of project task, project phase, or project completion as surety for contractor performance.

Other Assets

Other assets are advances made to other District agencies for work performed on capital projects under an intra-District agreement.

Restricted Fund Balance

The Fund balance is restricted for the District's cost-sharing requirements for eligible Federal-aid highway projects. The Fund balance must be sufficient to cover the cost sharing requirements established under Title 23, United States Code, based on the 6-year projected Fund's performance.

DISTRICT OF COLUMBIA HIGHWAY TRUST FUND

Notes to the Financial Statements September 30, 2020 and 2019

Revenue Recognition

The dedicated revenues consisted of excise taxes earned on motor fuel sold in the District, at the wholesale level, and interest income earned on the Fund's bank balances. Taxes are recognized as revenue when the sale takes place. Revenue also consists of public rights-of-way (ROW) fees. The ROW fees supplement local matching fund obligations and are recognized when received from the District.

Payroll-related expenditures

The Fund does not have any direct employees. Instead, direct labor costs are allocated from the District based on actual hours worked at the rate for salary and fringe benefits. Indirect labor and other overhead costs are also allocated to the capital projects. Non-participating costs include direct and indirect labor for certain projects that support the District Department of Transportation (DDOT) capital programs, which are not part of the eligible Federal-aid highway projects.

Certain employees of the District are covered under a defined contribution pension plan as well as a postemployment benefit plan, which are sponsored by the District. The District prepares a separate comprehensive annual report, which can be obtained from the Office of the Chief Financial Officer at 1350 Pennsylvania Avenue, N.W., Suite 209, Washington D.C. 20004.

3. CASH

The Fund's cash is held in accounts established and approved by the District's Office of the Chief Financial Officer, Office of Finance and Treasury for the District of Columbia. The Highway Trust Fund Account is an agency-controlled bank account used to receive dedicated revenues transferred from the District for the payment of the District's share of Federal highway projects and other related expenditures; for the receipt of the Federal Highway Administration's (FHWA) payment of the Federal share of highway projects that are reimbursable to the District; and for the receipt of interest revenue earned. The Primary Government accounts are dedicated accounts used to record revenues for motor fuel tax revenues and reimbursements, prior to transfer from the District, and to record expenditures for capital program costs, including vendor payments, payroll, and intra-District transfers until reimbursed to the District by the Fund.

The cash balances are insured under the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and securities are insured up to \$500,000 under Securities Investor Protection Corporation (SIPC). At times, the balances on deposit and securities will exceed the balance insured by the FDIC and SIPC. The total deposits held are collateralized at 102%.

Interest earned in these accounts for the years ended September 30, 2020 and 2019 was \$8,679 and \$15,199 respectively.

As of September 30, 2020, and 2019, there was no exposure to interest rate, credit, concentration or foreign currency risks as the Fund held no investments.

DISTRICT OF COLUMBIA HIGHWAY TRUST FUND

Notes to the Financial Statements September 30, 2020 and 2019

4. EXPENDITURES

Participating Expenditures

Participating expenditures are project associated costs eligible for Federal funding, for the District's matching share of the Federal-aid highway project cost.

Non-Participating Expenditures

Non-participating expenditures are project associated costs not eligible for Federal funding, which are undertaken for the benefit of the District and are included in the project funding plan in addition to federally funded items. Major initiatives of DDOT may be financed from the Fund without funding from FHWA grants, once current year matching of the Federal obligation is satisfied.

Federal Cost Adjustments and Grant Disallowances

Federal grant disallowances occur when the FHWA determines that costs incurred are ineligible for Federal participation based on FHWA program limitations or the scope of the capital projects. There were no grant disallowances for the years ended September 30, 2020 and 2019, respectively.

Because the Fund shares in the matching of Federal awards received by the District for highway projects, the Fund is also subject to various compliance requirements. Federal cost adjustments are based on finalization reviews completed by the DDOT before completing the FHWA required certification of final costs, which must be submitted to the FHWA for each completed Federal-aid highway project. Any cost adjustments resulting from such reviews could become a liability of the District. Management believes such cost adjustments, if any, would be immaterial.

Reimbursable from DC Water for Construction Costs

DC Water shares responsibility in capital projects when road or bridge construction provides an opportunity to maintain, improve, or construct infrastructure supporting DC Water's services. DC Water reimburses the District for costs and construction engineering oversight. DC Water is billed as construction draw payments are made to third-party vendors. The DC Water Reimbursement was in excess of non-participating costs in the amounts of \$1,076,079 and \$0 for years ended September 30, 2020 and 2019. The excess has been reclassified to other income in the financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia and
Inspector General of the Government of the District of Columbia
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of the District of Columbia Office Highway Trust Fund (the Fund), a special revenue fund of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, D.C.
January 7, 2021